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ARA-LA/CEN:JSULLIVAN

ARA-LA/CEN:GGOWAN

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SUBJECT: TEXTILES--JURICH CONSULTATION WITH CENTRAL
AMERICANS

1. SUMMARY: THE PRESIDENT'S SPECIAL REPRESENTATIVE FOR
TEXTILE TRADE POLICY, ANTHONY JURICH, MET WITH HIGH-LEVEL
REPRESENTATIVES OF FIVE CENTRAL AMERICAN COMMON MARKET
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COUNTRIES AND DISCUSSED WITH THEM US TEXTILE TRADE POLICY

IN CONTEXT OF NEW ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES (MFA). IN ADDITION, JURICH MET SEPARATELY WITH INDIVIDUAL DELEGATIONS DURING WHICH THEY EXPRESSED TO HIM SALIENT FEATURES OF TEXTILE PRODUCTION, TRADE AND POLICIES OF THEIR RESPECTIVE COUNTRIES. CONSULTATIONS WERE QUITE PRODUCTIVE FROM USG POINT OF VIEW AND, JUDGING FROM COMMENTS MADE BY VARIOUS CA DELEGATES, CA COUNTRIES WERE GREATLY APPRECIATIVE OF US EFFORT AND HIGHLY IMPRESSED BY CAPABILITY AND DEMEANOR OF JURICH.

2. ON JULY 18, 1974, US DELEGATION LED BY MINISTER ANTHONY JURICH AND AMBASSADOR TURNER B. SHELTON MET FOR MULTILATERAL CONSULTATIONS ON TEXTILE MATTERS WITH DELEGATIONS FROM COSTA RICA (HEAD OF DELEGATION - ODALE VILLALOBOS GONZALEZ), EL SALVADOR (CARLOS CORDERO D'ABUJON), GUATEMALA (CESAR SOTO RODAS), HONDURAS (J. VICENTE DIAS R.) AND NICARAGUA (ANASTASIO SOMOZA). AT MORNING PORTION OF CONSULTATIONS, JURICH MADE GENERAL PRESENTATION, POINTING OUT SALIENT FEATURES OF INTERNATIONAL TEXTILE TRADE; DOMESTIC POLITICAL, ECONOMIC AND SOCIAL IMPLICATIONS OF SUCH TRADE FOR BOTH IMPORTING AND EXPORTING COUNTRIES, WHETHER DC OR LDC; THE BACKGROUND LEADING UP TO NEGOTIATION OF THE MFA AND ITS RELATIONSHIP TO THE MULTILATERAL TRADE NEGOTIATIONS; OBJECTIVES OF THE MFA; US UNDERSTANDING OF MOST IMPORTANT PROVISIONS OF MFA; AND 807 IMPORTS AND THE MFA. JURICH CONCLUDED BY REITERATING US FIRM COMMITMENT TO MFA AND ITS OBJECTIVE OF LIBERALIZING TEXTILE TRADE FOR LDC'S WHILE AVOIDING RISK OF MARKET DISRUPTION AND THAT US WOULD WHEREVER POSSIBLE IMPLEMENT ITS OBLIGATIONS UNDER MFA BY BILATERAL METHODS AS OPPOSED TO A UNILATERAL APPROACH. IN THIS CONNECTION, JURICH EXPRESSED US DESIRE TO KNOW CENTRAL AMERICAN PROBLEMS AND PLANS IN TEXTILE AREA SO AS TO TAKE THEM INTO ACCOUNT DURING REVIEW OF US POLICY ON CENTRAL AMERICAN TEXTILES WHICH IS NOW UNDER WAY.

3. JURICH PRESENTATION WAS FOLLOWED BY A SERIES OF QUESTIONS POSED BY CENTRAL AMERICANS WHICH WERE LOW-KEYED AND GENERALLY RELATED TO THE TECHNICAL OPERATION OF THE MFA AND ANY BILATERALS WHICH MIGHT BE NEGOTIATED THEREUNDER. LIMITED OFFICIAL USE

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4. MAIN THEMES PRESENTED BY CENTRAL AMERICANS INCLUDED:

(A) POSSIBILITY THAT MFA STRENGTHENS EXISTING TRADE PATTERN OF LDC EXPORTS OF RAW MATERIAL TO DC'S WHICH PROCESS AND RE-EXPORT AS FINISHED TEXTILE OR APPAREL, E.G., JAPAN. ACCORDINGLY, RAW MATERIAL PRODUCERS SHOULD BE GIVEN PREFERENTIAL TREATMENT AT EXPENSE OF DC'S.

JURICH RESPONDED THAT WE ARE TO SOME EXTENT "STUCK WITH HISTORY" AND IT IS NOT POSSIBLE BECAUSE OF MFA EQUITY PROVISIONS TO DISCRIMINATE AGAINST ANY ESTABLISHED EXPORTER. NEVERTHELESS, ARTICLE 6 OF MFA, IS AN ATTEMPT TO ACCOMMODATE NEW ENTRANTS (LARGELY LDC'S) INTO TEXTILE MARKET. EQUALLY OR MORE IMPORTANT, THE SHIFTING OF COMPARATIVE ADVANTAGE FROM DC'S TO LDC'S IN CERTAIN TEXTILE LINES IS OBVIOUS AND JURICH CITED EXAMPLE OF JAPAN WHICH HAS LOST MUCH OF ITS PRICE COMPETITIVENESS.

(B) THE QUESTION OF HOW INDIVIDUAL CENTRAL AMERICAN COUNTRIES WOULD BE TREATED WAS RAISED IN CONTEXT OF THEIR DIFFERING STATUS, E.G., MEMBER OR NON-MEMBER OF GATT, ADHERENT OR NON-ADHERENT TO THE MFA, SIGNATORY OR NON-SIGNATORY TO BILATERAL AGREEMENT WITH US. JURICH ANSWERED THAT, AS FAR AS US IS CONCERNED, WE INTEND TO FOLLOW PROVISIONS OF MFA IN DEALING WITH ANY COUNTRY ENGAGED IN TEXTILE TRADE WITH US, REGARDLESS OF STATUS.

(C) CONSIDERABLE INTEREST WAS EXPRESSED ABOUT THE TREATMENT OF 807 EXPORTS UNDER MFA, AND JURICH RESPONDED THAT, BECAUSE OF ITS EFFECT ON DOMESTIC EMPLOYMENT AS WELL AS DISFAVOR WITH US LABOR UNIONS, 807 EXPORTS ARE A VERY SENSITIVE ITEM. IF BILATERAL NEGOTIATIONS ARE HELD, JURICH REQUESTED THAT THE CENTRAL AMERICANS NOT LOSE SIGHT OF THE SENSITIVE NATURE OF 807 TRADE IN THE US.

(D) CONCERNING A CONNECTION BETWEEN THE TRADE REFORM ACT (TRA) AND THE MFA, JURICH STATED THERE WAS NO DIRECT CONNECTION BETWEEN THE TWO, BUT POINTED OUT THAT SEPARATE HANDLING OF TEXTILE ISSUE HAD ALLOWED THE ADMINISTRATION TO PRESENT A MORE LIBERAL TRA THAN WOULD HAVE OTHERWISE BEEN POSSIBLE.

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(E) SEVERAL DELEGATIONS QUESTIONED THE NECESSITY FOR OR ADVANTAGE OF A BILATERAL AGREEMENT, EVEN THOUGH THEY NOTED THAT BILATERAL AGREEMENT WITH ITS QUOTA PROVISIONS WOULD PROVIDE AN ASSURED ACCESS TO THE US MARKET. JURICH REITERATED THAT USG WAS CONDUCTING REVIEW OF ITS TEXTILE TRADE WITH CA COUNTRIES AND THUS HE WAS NOT AT THAT TIME IN POSITION TO JUDGE APPROPRIATENESS OF BILATERAL AGREEMENTS. HOWEVER, US APPROACH TO THIS ISSUE WOULD BE BILATERAL IN THAT WE WOULD CONSULT WITH A SUPPLIER COUNTRY PRIOR TO IMPOSING A RESTRAINT.

(F) THE SUBJECT OF INVESTMENT-TRADE LINKAGE IN TEXTILE TRADE WAS MENTIONED IN TERMS OF BILATERAL AGREEMENT STIFLING INVESTMENT. JURICH RESPONDED TO THIS POINT BY

STATING THAT THE USG WANTED TO KNOW EACH COUNTRY'S PLANS IN TEXTILE AREA SO AS TO PERMIT A TRADING RELATIONSHIP THAT WOULD INCORPORATE CA COUNTRIES' PLANS TO GREATEST EXTENT POSSIBLE INsofar AS THEY ARE CONSISTENT WITH US TEXTILE POLICIES AND PROBLEMS.

(G) SOME CRITICISM WAS VOICED OF USING HISTORICAL EXPORT RECORD AS BASE FOR QUOTA AND THAT AGREEMENTS UNDER MFA WOULD THUS TEND TO PERPETUATE EXISTING UNSATISFACTORY TRADE PATTERNS. JURICH ACKNOWLEDGED THAT US HAS TENDED TO LOOK AT HISTORICAL RECORD RATHER THAN FUTURE PROJECTIONS BECAUSE OF EQUITY CONSIDERATIONS. NEVERTHELESS, US ALSO RECOGNIZES THE REASONING BEHIND CA COMPLAINT, A RECOGNITION WHICH WAS REFLECTED IN PROVISIONS OF MFA WHICH PROVIDE FOR MORE LIBERAL TREATMENT TO NEW ENTRANTS IN INTERNATIONAL TEXTILE MARKET.

MEETING WAS THEN ADJOURNED FOR WORKING LUNCHEON DURING WHICH TOPICS DISCUSSED IN MORNING SESSION WERE REVIEWED.

5. PRIOR TO CONCLUSION OF MORNING SESSION, CA COUNTRIES REQUESTED INDIVIDUAL COUNTRY MEETINGS WITH JURICH TO LAY OUT THEIR BASIC POLICIES AND PLANS IN THE TEXTILE FIELD FOR THE INFORMATION OF THE US DELEGATION. THUS, AFTER-NOON SESSION WAS LARGELY DEVOTED TO BILATERAL CONSULTATIONS OF AN INFORMATIONAL AND INFORMAL NATURE.
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6. AT DINNER HOSTED BY GON MINISTER MARTINEZ, ATMOSPHERE WAS EXCEEDINGLY CORDIAL. ALL USDEL MEMBERS REPORTED THAT ALL CENTRAL AMERICAN DELEGATIONS HAD HIGH WORDS OF PRAISE FOR USG EFFORTS AND IN PARTICULAR, CA'S WERE IMPRESSED BY THE CAPABILITY AND DEMEANOR OF JURICH WHO WAS GENERALLY DESCRIBED AS "MUY SIMPATICO".

7. COMMENT: DEPARTMENT BELIEVES JURICH VISIT AND PREVIOUS TRADE CONSULTATIONS BY AMBASSADOR EBERLE WERE TANGIBLE AND WELCOME FOLLOW-UP TO THE SECRETARY'S NEW DIALOGUE WITH LATIN AMERICA. JURICH VISIT SERVED TO ALLAY FEARS OF CACM COUNTRIES CONCERNING US TEXTILE POLICY AND SETS STAGE FOR FRUITFUL, COOPERATIVE BILATERAL TALKS, WHERE APPROPRIATE, LATER THIS YEAR. INGERSOLL

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